



Director of  
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25X1

281

**Page Denied**

Top Secret

25X1

## Contents

Nicaragua-US: <i>New Protest</i> . . . . .	1
El Salvador: <i>Political and Military Developments</i> . . . . .	2
Lebanon: <i>Future of UN Peacekeeping Force</i> . . . . .	3
EC-Japan: <i>Trade Problems Increasing</i> . . . . .	4

25X1

USSR-PLO: <i>Meeting With Arafat</i> . . . . .	7
--	---

25X1

Philippines-US: <i>Base Negotiations Objectives</i> . . . . .	8
---	---

Spain: <i>Basque Terrorism</i> . . . . .	8
--	---

25X1

Bolivia-Cuba: <i>Relations Resumed</i> . . . . .	9
--	---

## Special Analysis

Japan-US: <i>Nakasone's Visit</i> . . . . .	10
---	----

Top Secret

25X1

25X1

13 January 1983

Top Secret

25X1

## NICARAGUA-US: New Protest

*The Sandinistas' second protest to the US within a week, which is designed to strengthen its position at the meeting of the Non-aligned Movement's Coordinating Bureau under way in Managua, helps to obscure their increasing repression along the northern border area.* [redacted]

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Managua has charged the US with complicity in the alleged killing of two coffee workers by exile forces and again is demanding unconditional bilateral talks. The protest follows operations by the exiles to sabotage the bumper coffee crop being harvested in Nicaragua. [redacted]

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The Sandinistas have sent militia units into the region to protect the crop. They have recruited urban workers and students to help with the harvest, reportedly using intimidation in some cases. [redacted]

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[redacted] The independent Nicaraguan human rights committee says the security forces have arrested several hundred persons suspected of subversive activity in the border area. [redacted]

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Comment: Complaints that the US is the source of Nicaragua's border problems will help pave the way for appeals to the UN Security Council. The Sandinistas, however, hope to avoid international scrutiny of their own border policies, which have caused an estimated 4,000 to 6,000 peasants to flee to Honduras over the last year. [redacted]

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The increasing repression of the people living near the border underscores the Sandinistas' determination to protect the coffee harvest, which is Nicaragua's most important source of export earnings. The exiles, however, will continue their efforts to destroy as much of the crop as possible. [redacted]

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13 January 1983

Top Secret

25X1

EL SALVADOR: Political and Military Developments

*The power struggle between Army Field Commander Ochoa and Defense Minister Garcia appears to be resolved, but the military faces a new challenge from the insurgents.* [REDACTED]

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Ochoa has agreed to attend classes at the Inter-American Defense College in Washington, thus ending his weeklong rebellion. Garcia, in turn, has offered to resign within the next three months. [REDACTED]

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Encouraged by the political turmoil in the armed forces, the insurgents have begun what they claim is a major new offensive. They have attacked military garrisons in several towns in the north. [REDACTED]

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Comment: [REDACTED]

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The apparent resolution of the military's internal crisis is timely. The armed forces likely will face a significant increase in guerrilla offensive activities in coming days. [REDACTED]

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25X1

13 January 1983

Top Secret

LEBANON: Future of UN Peacekeeping Force

*Lebanon's request for an extension of the UN peacekeeping force for six months and for an expansion of the force's mandate, which expires next Wednesday, is being opposed by some nations contributing troops and by Israel.*

Tel Aviv says it will accept no more than a two-month extension and insists the force cannot remain in its current area, which falls within the 45-kilometer security zone demanded by Israel. The Israelis yesterday informed the Lebanese Government they will not permit any rotations or return of soldiers on leave in Lebanese Army units attached to the UN force.

Comment: The nations contributing troops are caught between the Israeli position and the Lebanese request for changes in the UN mandate, especially one that would permit deployment of UN troops in any part of Lebanon. Most contributors fear this could embroil their contingents in internal peacekeeping efforts between warring communal factions. As a result, they are now ready to support an extension of only two or three months, without changes in the mandate.

The main objective of Lebanese officials is to preserve UN involvement. They probably are prepared to accept any extension they can get, in order to have more time to work out problems over a new mandate. A formal change of the mandate would require action by the UN Security Council, which needs the USSR's approval.

Troop contributors would be likely to balk at a major enlargement of the mandate. Israel, on the other hand, would view the continuation of the current mandate as an obstacle to the withdrawal of its forces from Lebanon.

Top Secret

13 January 1983

Top Secret  
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## EC-JAPAN: Trade Problems Increasing

*EC officials have warned Japan that it faces a barrage of EC protectionist measures unless trade barriers to EC products are relaxed further.* [redacted]

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During Japanese Foreign Minister Abe's recent visit to five EC nations, officials stressed the seriousness of current EC-Japanese trade disputes. EC Commission Vice President Davignon warned that, unless Japan takes additional action to liberalize trade, some member countries may propose more protectionist measures. He added that the EC Commission may be able to postpone individual country action only for a few months. [redacted]

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Abe countered that Japan implemented measures in December to permit increased foreign access. He also promised an additional liberalizing of nontariff barriers. The Japanese announced today a five-point package that includes tariff cuts, some eased quotas on Western agricultural products, and steps to lower nontariff barriers. [redacted]

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West German Foreign Minister Genscher noted that Japan's actions in December will affect less than 1 percent of West European exports. He told Abe that the insignificance of the actions is hampering Bonn's efforts to dissuade other EC members from adopting new trade reductions. British officials also complained the measures were inadequate, and French Foreign Trade Minister Jobert criticized Japan for not moving to reduce its \$2 billion trade surplus with France. [redacted]

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Comment: EC-Japanese trade relations seem certain to deteriorate further. All EC countries are determined to keep pressure on Japan to allow greater access to its domestic market. [redacted]

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France is ready to increase restrictions on Japanese access to its market. Jobert has told Commission officials that, if the Commission fails to obtain satisfactory results from Japan, France will resort to unilateral measures. [redacted]

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13 January 1983

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25X1

USSR-PLO: Meeting With Arafat

TASS announced yesterday that PLO chief Arafat met with General Secretary Andropov and with Foreign Minister Gromyko. The statement described the atmosphere surrounding the talks as one of "friendship and mutual understanding" and touted the USSR's proposal for an international conference on the Middle East.

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Comment: Moscow's welcome for Arafat was more subdued and the atmosphere surrounding the discussion somewhat cooler than during Arafat's visit to the USSR in October 1981. This probably reflects continued friction over the lack of Soviet support for the PLO during Israel's invasion of Lebanon. The statement hailing the longstanding proposal for an international conference was phrased in a way that indicates Arafat shied away from an explicit endorsement. Moreover, the omission of a direct attack on the US initiative on the Middle East suggests Moscow failed to persuade Arafat to criticize the US proposal at this time.

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Top Secret

13 January 1983

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## PHILIPPINES-US: Base Negotiations Objectives

Manila's newspapers last week carried front page stories about the government's negotiating requirements for the review of the Military Bases Agreement. They say the government will ask for a large increase in compensation from the current \$100 million annually and for progress on recognition of Philippine sovereignty over the bases and on other "unresolved" issues. The press also claims Defense Minister Enrile will begin the review process during a visit to Washington next month, although the review is not scheduled to start formally until April. [redacted]

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Comment: [redacted]

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[redacted] The press stories almost certainly are the beginning of an effort to test US reaction and soften Washington's resistance to Manila's proposal to store war reserve materials at the bases. The government links this proposal for stockpiling with the compensation issue, and Enrile will discuss it next month. [redacted]

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## SPAIN: Basque Terrorism

ETA-PM, a wing of the Basque terrorist movement, kidnaped the son of a wealthy industrialist on Monday. The group had announced over the weekend that it was embarking on a "new campaign." A government spokesman said on Tuesday that Madrid will try to prevent ransom negotiations between the terrorists and the victim's family. During the election campaign last fall, the Socialists promised to take a tough stand against terrorism. [redacted]

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Comment: Basque terrorist organizations have struggled in the past year to retain members, maintain public support, and secure payment of the "revolutionary taxes" they need to fund their operations. The terrorists' recent actions probably have been motivated by a desire to reestablish their credibility. The government's reluctance to assume responsibility for possible bloodshed may lead it to relax its prohibition against negotiations with the kidnapers. Although the terrorists still have considerable striking power, their decline appears likely to continue. [redacted]

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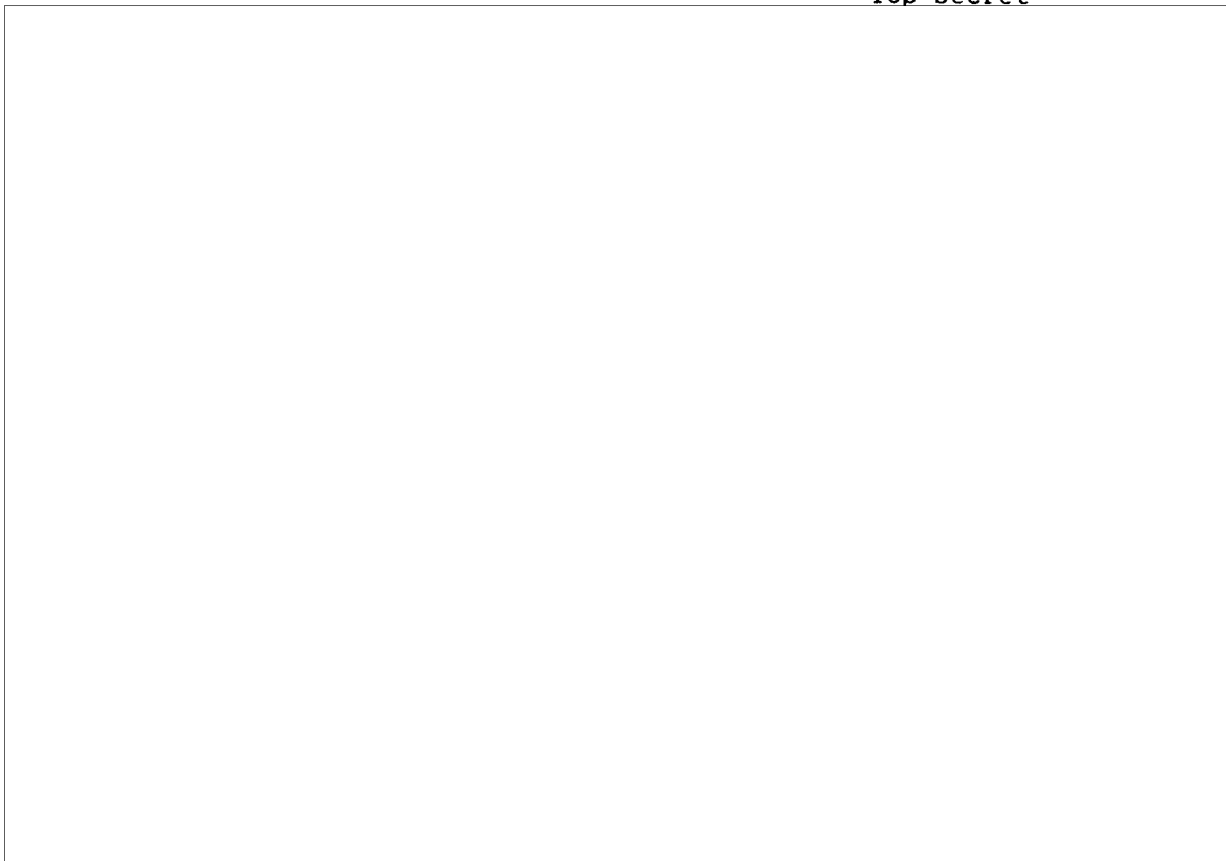
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25X1

13 January 1983

Top Secret

25X1



## BOLIVIA-CUBA: Relations Resumed

Bolivia and Cuba used the meeting of the Non-aligned Movement's Coordinating Bureau in Nicaragua to announce on Tuesday the restoration of diplomatic ties. The two countries, which broke relations in 1964, have had little contact since the Bolivians captured and executed Che Guevara in 1967. [REDACTED]

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Comment: The move is the latest in a series of foreign policy initiatives by the three-month-old civilian government in La Paz that has included restoration of relations with Nicaragua, recognition of the PLO and the Polisario Front, and reduced support for many US positions in the UN. President Siles is concerned over negative US reaction [REDACTED]

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[REDACTED] Nevertheless, his leftist ideology and his desire for a Third World - oriented foreign policy outweigh this concern and make similar policy shifts likely. [REDACTED]

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13 January 1983

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**Yasuhiro Nakasone**



Age 64 . . has led faction in LDP since mid-1960s . . . off to strong start as Prime Minister . . . popularity rising . . . noted for eloquent speeches and showmanship . . . author, poet, and artist . . . good sense of humor . . . confident in dealing with Americans and has good command of English.



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## Special Analysis

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### JAPAN-US: Nakasone's Visit

*When Prime Minister Nakasone visits Washington next week, his primary objective will be to demonstrate to his people his ability to manage relations with the US--a major requirement for a Japanese leader. He wants to project the image of a decisive Prime Minister who can move quickly to handle difficult situations. He also hopes to ease bilateral tension and to buy time to solve difficult trade and defense problems by establishing a personal relationship with President Reagan. In addition, Nakasone wants to obtain US views on the new regime in Moscow and to discuss the current status in Sino-Soviet relations.* [redacted]

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Nakasone thus far has proved to be a much more popular, vigorous, and innovative leader than his predecessor. He has impressed the public, the media, his critics in the ruling Liberal Democratic Party, and even some opposition party members with his straightforward responses to tough questioning in the Diet. He has taken a particularly active part in foreign affairs, emphasizing Japan's key role in Asia and making important contacts with Middle Eastern leaders. He has also taken the initiative to convince the bureaucracy and the Liberal Democratic Party to move on several issues that recently have strained Japanese-US relations. [redacted]

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### Progress and Pressures

The Prime Minister will be able to point to some progress on bilateral issues. Late last year the cabinet approved an increase in defense spending for 1983 of 6.5 percent, rather than the 3.5 to 4 percent preferred by the Finance Ministry. [redacted]

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Nakasone personally pushed through the larger increase. The growth, however, will not enable Japan to achieve significant improvements in its military capabilities. [redacted]

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13 January 1983

Top Secret  
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The cabinet also is expected to approve tomorrow a draft on transfer of defense technology that satisfies basic US requirements. In addition, the press reports that a date for the initiation of a joint US-Japanese study of the sealane defense will be announced before the Prime Minister leaves for Washington. [redacted]

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Nakasone also has moved rapidly on bilateral trade problems. Under his strong leadership, the Tariff Council late last month approved a new package of tariff reductions, including substantial cuts in tobacco products, chocolate, and biscuits. Cabinet ministers today are likely to approve formation of a high-level body to study revision of testing, inspection, and standards procedures, steps to increase the authority of the Office of the Trade Ombudsman, and reduced curbs on retailing imported tobacco. [redacted]

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Japanese agricultural import quotas, however, are still a problem. The press reports Nakasone will ask the US not to push this issue. He probably hopes the concessions he has made so far will persuade the US to give him more time. [redacted]

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Despite his concern over bilateral tensions, Nakasone cannot appear too accommodating to Washington. He is an avowed nationalist and is sensitive to any suggestion he is following orders from the US. He has been criticized for showing too much haste in arranging the trip to Washington. [redacted]

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Nakasone will try to counter this criticism by resolving specific trade and defense problems ahead of time, so that he will not appear to be caving in to US pressure. He also will submit his own plan for the US-Japanese economic relationship. According to the press, he will propose a "World New Deal" calling for the US and Japan to work to solve world economic problems through cooperation on fiscal and monetary policy, trade, international finance, aid, and high technology. [redacted]

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13 January 1983

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Foreign Policy Interests

In the field of international relations, Nakasone probably will want to discuss developments in the USSR, China, and the Middle East, as well as East-West issues. Tokyo is particularly interested in greater coordination and consultations with the US and the EC on foreign policy problems. [redacted]

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Nakasone will be prepared to mention Japan is considering a Lebanese request for support to an expanded multinational force. He also will be likely to describe his recent visit to South Korea, which ended months of strained relations. [redacted]

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Impact of the Visit

Despite Nakasone's strong start, his political position remains unstable. His own faction is among the smallest in the Liberal Democratic Party, but he has the support of the largest faction, led by former Prime Minister Tanaka. The political future of Tanaka, however, is clouded by his involvement in the Lockheed bribery scandal. [redacted]

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The Prime Minister has used several bold initiatives in foreign affairs, including his visit to Seoul, to strengthen his domestic political standing. A successful visit to Washington would improve his position by showing he can fulfill his pledge to strengthen the alliance with the US. It also would allow him to focus on a sluggish economy, a large fiscal deficit, and major local and national elections this year. [redacted]

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If Nakasone's domestic standing improves as a result of the visit, he will be in a better position to continue progress on bilateral trade and defense problems. Nonetheless, the elections expected early this summer will slow progress in the near term. [redacted]

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In addition, the concessions made so far will require continued high-level attention. Some, including the tariff reductions, still require the Diet's approval. Although Japan has agreed in principle to meet US requirements on technology transfer, it could take months to work out details for implementation. [redacted]

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13 January 1983

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